



Unilever steps up to su

Food security in a changing climate was Unilever CEO **Paul Polman's** theme for the 2011 City Food Lecture

Food security is the central issue confronting the food industry, and one of the biggest challenges facing the world. As Robert Zoellick, President of the World Bank, says, it is a threat to global growth and social stability. Indeed, the UN Food and Agriculture Organisation estimates that by 2050 an extra 3 billion mouths will require 70% more food than is produced today.

For Unilever, with brands present in 7 out of every 10 households on the planet, the problems of food supply, poverty, and sustainability are daily issues. More than half the company's raw materials come from agriculture and forestry. It buys millions of tonnes of agricultural crops from hundreds of thousands of farmers, in virtually every country in the world. It purchases 12% of the world's black tea, 6% of its tomatoes and 3% of its palm oil.

The stable environment and continuous supply of raw materials needed for businesses to survive and grow is now in jeopardy. Natural resources are being consumed at a rate faster than the planet's capacity to replenish them. For everyone to consume at the level of the UK would require the resources of three planets, not just the one we have, says the WWF. We are living off the earth's capital, not the interest. We can't go on this way, it is like a farmer eating his seeds.

In 2008 the world experienced worrying shortages of certain staple crops, which brought price spikes and food riots in over 40 countries. Two years later stresses and strains are evident again, with Russia banning grain exports after the country's

worst drought for a century, devastating floods hitting grain output in Pakistan, Canada suffering substantial crop losses to heavy rains and Australia battling both floods and droughts.

In November the FAO's Food Price Index for the wholesale cost of commodities such as wheat, rice, oil seeds and sugar, reached an historic high. In January the US Department of Agriculture said the ratio of global stocks to demand would drop to levels unseen since the mid 1970s.

We are back in dangerous territory. There are already ominous signs with recent unrest in Algeria, Tunisia and Mozambique. The resilience of the global food system is, once again, looking increasingly fragile.

The trouble is that food security is not only vulnerable to shocks, ranging from small scale supply disruptions to extreme weather events, but also longer-term stresses, such as population growth and rising GDP, the former driving absolute food demand and the latter pushing up calories consumed and meat and dairy product consumption.

Declining soil quality, reducing water tables and accelerating climate change are further stresses. The latter affects what can be grown where, and when, and Unilever is already having to face up to this. Changing rainfall patterns in Kenya and India are impacting both the yields and quality of tea. Concerns are also growing that Greece and Spain may not have adequate water in the coming decade to guarantee the tomato harvest.

“In November the FAO's Food Price Index for the wholesale cost of commodities such as wheat, rice, oil seeds and sugar, reached an historic high.”

Paul Polman

Climate change also brings unstable weather, leading to more shocks from droughts, floods, storms and temperature extremes. In short, climate change creates a 'double whammy' of shocks and stresses, one our food system is not well designed to withstand.

These challenges would matter less if productivity were still rising fast. But it appears to have reached a plateau. After two decades averaging around 2% a year, growth has fallen to 1.3% per annum over the last decade.

The Economist has coined the term 'agropessimism' to describe the growing worry that food security and sustainability are now in direct opposition, and that we will only be able to feed the world by destroying the planet. If we complacently carry on with 'business-as-usual' farming, the Economist may prove to be right.

So, how is Unilever responding? It has set a challenge to double its size while reducing its environmental footprint, by decoupling its growth from its environmental impacts whilst at the same time increasing the social benefits of its activities. Now, more than ever, companies must reconnect business success with social progress.

Unilever's *Sustainable Living Plan* sets three key goals for 2020:

- to source 100% of agricultural materials from sustainable sources.
- to halve the environmental impact of its products;
- to help one billion people take action to improve their health and well-being;

This is a completely new way of managing the company: one where sustainability is embedded in every business function and process. It means a long term focus, which is why Unilever has stopped giving guidance to the markets; stopped giving quarterly profit updates; and stopped reacting to the short termism of so much of the financial community.

Globally four key strategies can improve food security:

1. Sustainable farming

By increasing farmers' yields, whilst reducing inputs of fertiliser, pesticides and water, farmers can secure a "win win" through higher yields and lower input



Sustainable food agenda

costs. In India drip-irrigation trials have lifted gherkin yields by up to 84%, cut water use by 70% and more than doubled profit per kilo. Similar successes have been seen with Californian tomato growers. But new approaches involve transition costs, hence proposal number two, a step change in funding.

2. Investment in agriculture

The FAO estimates that spending on agricultural development must reach around \$83 billion a year to meet future food needs, 50% up on today. In the 1970s and 1980s Asian governments achieved their 'green revolution' by spending up to 14% of national budgets on agriculture. Today many sub-Saharan African governments spend just 4%.

However, there are promising signs. There have been rapid falls in hunger in countries such as Vietnam and Ghana because of high investment. Burkina Faso, Chad, Ethiopia and Malawi are all now spending over 10% of their budgets on agriculture.

3. Market distorting subsidies

Well-meaning but ill conceived state interventions, such as first generation biofuel policies in the EU and the US, are producing perverse outcomes. Their subsidies distort the market, more than doubling biofuel cropping since 2003 to 25 million hectares, with 30% of the US maize crop and two-thirds of EU rapeseed now used for fuel.

Governments must apply rigorous sustainability screens to all feedstock crops. Otherwise we will find ourselves in the absurd situation of powering Mercedes

and Porsches with energy sources that are not only more greenhouse gas intensive than their fossil fuel alternatives but which contribute to high food prices for the poorest members of society.

4. Freeing trade

Even governments in Europe and the US that vocally support free trade are often lukewarm about liberalising their own agricultural sectors. The OECD calculates that agricultural support in 2009 was around \$120 billion in the EU and \$30 billion in the US. Global free trade could lift as many as 500 million people out of poverty and expand developing economies by \$200 billion each year the World Bank estimates.

At the same time the creation of a multilateral system that allows agricultural trade without barriers would do much to

improve food security. It is imperative that we complete the stalled Doha Trade Round.

Other food security issues include the role of biotechnology, the rising role of commodity speculators in market prices, and the impact of mono-culture on biodiversity.

But the bottom line, as Oliver James points out in his book *Affluenza*, is that business as usual is not an option. In the battle to avert major food security problems we have everything we need to win – technology, money and political will. But as the old Chinese proverb says: 'Unless we change direction, we are likely to end up where we are going'.

• **The City Food Lecture was delivered at Guildhall, London on 18 January 2011.**

Unilever CEO Paul Polman pulled no punches as he laid out this global food giant's plan for producing food more sustainably

